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October 15, 1996

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Federal Communications Commission
Office of Secretary

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Dear Mr. Caton:

Re: *CC Docket No. 96-193, Implementation of the Telecommunications Act of 1996:
Reform of Filing Requirements and Carrier Classification, AAD 95-91, Anchorage
Telephone Utility, Petition for Withdrawal of Cost Allocation Manual*

On behalf of *Pacific Bell* and *Nevada Bell*, please find enclosed an original and six copies of their "Comments" in the above proceeding. Under separate cover, their comments have also been submitted on diskette to Ms. Ernestine Creech, Accounting and Audits Division.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



Enclosures

cc: Ken Moran, Chief, Accounting and Audits Division
Ken Ackerman, Chief, Accounting Systems Branch
Fatina Franklin, Chief, Competitive Safeguards Branch

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of

Implementation of the
Telecommunications Act of 1996:

Reform of Filing Requirements
and Carrier Classifications

Anchorage Telephone Utility, Petition for
Withdrawal of Cost Allocation Manual

CC Docket No. 96-193

AAD 95-91

COMMENTS OF PACIFIC BELL AND NEVADA BELL

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Date: October 15, 1996

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SUMMARY

Pacific Bell and Nevada Bell support the Commission's proposals to implement the reduced filing requirements for ARMIS reports and CAM revisions. We suggest some alternatives to several of the modifications proposed by the Commission. Specifically, if the Commission does not forebear from applying the accounting safeguard rules to price cap carriers that elect the no sharing option, a specific notice period would be less burdensome for us than being required to request a waiver for every CAM change. We also suggest that the Commission adopt several features from its tariff filing process that would mitigate some of the disadvantages of LECs having to file CAM revisions more than once a year: First, a public reference log for CAM revisions (similar to the Tariff Transmittal Public Reference Log) could provide notice of CAM changes on an automatic basis. Second, a shorter notice period akin to the streamlined tariff process could be triggered by the Log. We suggest a notice period of 10 days. Replies to oppositions would be due 5 days after oppositions were due.

The Commission's proposal to advance the filing date for the ARMIS 43-07 (Infrastructure Report) does not have apparent advantages. Advancing the filing date from June 30 to April 1 would, however, increase the burden on reporting companies. We suggest retaining the current filing date for the ARMIS 43-07. However, because other ARMIS reports will only be required annually, changes will be required to their forms and contents. Industry input into the revisions will ensure that the new forms are understandable to reporting companies, which will benefit from having at least 90 days notice of form and content changes prior to the required filing date.

We support the Commission's proposal to adopt the Gross Domestic Product Chain-type Price Index as the mechanism to adjust revenue thresholds pursuant to §402 of the 1996 Act. We also urge the Commission to reexamine the need to raise the \$100M threshold so that small and mid-sized carriers can continue to be exempted from certain reporting and audit requirements.

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CC Docket No. 96-193

AAD 95-91

COMMENTS OF PACIFIC BELL AND NEVADA BELL

Pacific Bell and Nevada Bell respectfully respond to the Commission's Notice of Proposed Rulemaking in the above captioned proceeding.¹ Section 402(b)(2)(B) of the 1996 Act² requires the Commission to revise its filing requirements for ARMIS reports and cost allocation manual (CAM) revisions. The Commission's Order implements these requirements. In addition, this NPRM proposes several modifications to the Commission's rules in conjunction with the change in filing requirements. We support the Commission's proposals in general but propose further modifications to improve the utility of the filings.

¹ *Implementation of the Telecommunications Act of 1996: Reform of Filing Requirements and Carrier Classifications; Anchorage Telephone Utility, Petition for Withdrawal of Cost Allocation Manual*, CC Dkt No. 96-193, AAD 95-91; *Order and Notice of Proposed Rulemaking*, rel. September 12, 1996 ("NPRM").

² Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 ("1996 Act").

I. The Commission Should Permit CAM Changes After Public Notice

The Commission's Order modifies its rule on quarterly CAM filings to conform with the 1996 Act's requirement to permit an annual CAM filing. However, the Commission also proposes to retain its requirement that carriers file changes to their cost allocation tables and time reporting procedures at least 60 days prior to implementing the changes.³ Alternatively, the Commission suggests that carriers could revise their CAMs only at the time of the annual filing. In order to change its CAM at any other time, a carrier would first have to obtain a waiver of the annual filing rule before implementing the change.⁴

We continue to urge the Commission to forbear from applying the accounting safeguard rules to price cap carriers that elect the no sharing option. As the Commission acknowledges, the incentive and opportunity for cross subsidy are diminished for these carriers.⁵ Given the lack of incentive and opportunity, forbearance is appropriate and would eliminate CAM filings and revisions. However, if Part 64 requirements are retained and CAM filings and revisions are required, a specific notice requirement is less burdensome than the waiver requirement proposed by the NPRM. Having to obtain a waiver each time we need to revise our CAM would increase the number of filings we would have to undertake. This will unnecessarily increase the regulatory burden before we can meet the needs of the business. In effect, a carrier would have to demonstrate that it qualifies for a waiver, and that could impede the implementation of our competitive business plans and slow competition. Moreover, a specific

³ 47 C.F.R. 64.903(b).

⁴ *NPRM*, para. 21.

⁵ *Accounting Safeguards Under the Telecommunications Act of 1996*, CC Docket No. 96-150, *Notice of Proposed Rulemaking*, rel. July 18, 1996, para. 121. We argued for forbearance in this docket and incorporate those comments by reference here. Pacific Telesis Group Comments, August 26, 1996; Pacific Telesis Group Reply Comments, September 10, 1996.

notice period is preferred because it provides greater certainty as to when a carrier could implement a change. Waiver requests are often not acted upon within 60 days depending on the Commission's priorities and resources. Thus, we support a notice period in general.

We offer additional suggestions, however, which will permit LECs to retain flexibility to respond to competitive needs without disadvantaging carriers that are required to file CAMs. As LECs provide more competitive and deregulated offerings, cumbersome regulation will be competitively disadvantageous. However, some disadvantage could be mitigated by a few changes. For example, several features of the tariff filing process could be applied favorably to CAM changes. First, instead of issuing a specific public notice for each CAM filing, the Commission should routinely list CAM filings in its Daily Digest as it does for tariff filings. A report ("CAM Revisions Public Reference Log") similar to the Tariff Transmittal Public Reference Log for tariffs would provide intervenors notice of CAM changes. A regularly published CAM Revisions Public Reference Log would avoid any delay between a LEC's CAM revision filing and the Commission's issuance of a Public Notice.

Second, the notice period should be shortened. A notice period of 60 days is too long. Changes to cost pools or reporting methods can be needed for both regulated and nonregulated activities. A long notice period will disadvantage LECs when competitors do not have similar requirements. The disadvantage, however, can be mitigated by reducing the notice period. A shorter notice period also would be consistent with the general deregulatory intent of the 1996 Act. We suggest a notice period of 15 days (comparable to §204(a)(3) of the 1996 Act which allows streamlined tariff filings). Opposition to CAM changes would be due within 10 calendar days of the publication of the CAM Revisions Public Reference Log; replies to

oppositions would be due within 5 calendar days of the filing of oppositions. If no oppositions were filed within the 10 days and unless the Commission deferred, rejected or otherwise modified the CAM change within 15 days, CAM changes would be presumed accepted. The requirement for an annual filing of a complete CAM on December 31 of each year could be retained. These simple changes to CAM filing procedures would improve the processing of CAM changes consistent with Congress' intent.

If, however, the 60 day notice requirement were adopted, the Commission should clarify whether changes will be subject to public notice and comment; whether express Commission approval of the changes subject to 60 day notice is required; and how any objections filed in response to the public notice will affect a carrier's ability to implement the changes.

II. A Uniform Filing Date For All ARMIS Reports Is Not Warranted

The Commission proposes several changes for ARMIS reports.⁶ We comment on the proposal to provide for a uniform filing deadline of April 1 for all ARMIS reports. NPRM, para. 27. This proposal would change the annual filing date for the ARMIS 43-07 report from June 30 to April 1. We would prefer that the Commission not adopt this change. Advancing the filing date for the ARMIS 43-07 may result in some measure of uniformity in that all reports will be due at the same time. However, uniformity for its own sake has no real benefit to the Commission or to the industry. In fact, conforming all filing dates will require companies to revise its work schedules and resources. We do not perceive any administrative advantage that

⁶ By this Order, the Commission amends its rules to require an annual filing of ARMIS 43-01 (the Quarterly report) and ARMIS 43-06 (Semi-annual service quality report).

outweighs the additional pressure on carriers' resources in having to file yet another report on the same day that eight other ARMIS reports are due.

Notwithstanding the Commission's decision on the due date for the ARMIS 43-07, changes to the form and content of ARMIS reports will be required because quarterly or semi-annual filings will become annual filings. The Commission has directed the Common Carrier Bureau to make any changes to the form and content of these reports as needed.⁷ The Commission should recommend that the Bureau solicit industry input into the revisions necessary because of the change to an annual filing. Moreover, the Commission should direct the Bureau to release the final form, content changes and specifications for ASCII files to carriers at least 90 days before the required filing date. With sufficient advance notice, carriers will be able to implement the necessary procedures to meet the Bureau's modified requirements.

III. Adopting GDP-CPI As An Inflation Adjustment Is Advantageous

We support the adoption of the Gross Domestic Product Chain-type Price Index ("GDP-CPI") for both the interim and final rules to adjust the revenue thresholds pursuant to §402(c) of the 1996 Act. As the Commission notes, the Bureau of Economic Analysis of the Department of Commerce found the GDP-CPI to be an improvement over the fixed-weighted GDP-PI, because chain-type weighted indices eliminate distortions in the measurement of prices for periods beyond the base year that are found in fixed-weighted indices. NPRM, para. 24. Another advantage is that the GDP-CPI is available on a more timely basis.

⁷ NPRM, para. 4.

While the Commission examines the method to adjust the revenue requirements pursuant to §402(c), we also urge the Commission to reexamine the continued appropriateness of the \$100M threshold. Various sections of the 1996 Act, including §402(c), reflects Congressional intent to reduce regulation for carriers.⁸ Moreover, Congress clearly distinguished large carriers from other carriers, for example, by enacting the interconnection exemption for companies with less than 2% of the national access lines.⁹ The \$100M threshold set in 1988 may no longer accomplish the Commission's intent of exempting some carriers from the previously cited reporting and auditing requirements of the Commission's rules. Moreover, the Commission has increased incentive to be sure that its regulations are fair to small and mid-sized carriers. The Commission's regulations can disproportionately affect small and mid-sized carriers when their competitors are not also subject to those rules. As competition increases in small and mid-sized carriers' markets, their burden will take on greater disadvantages. In addition to giving the Commission the ability to forebear from regulation, the 1996 Act requires that unnecessary regulation must be eliminated.¹⁰ The Commission should review the criteria it used in 1988 that resulted in the \$100M threshold to determine if that criteria is consistent with the new regulatory framework that Congress established by the 1996 Act.

⁸ See S. Conf. Rep. No. 104-230, 104th Cong., 2d Sess. 1(1996).

⁹ §251(f)(2).

¹⁰ §403

IV. Conclusion

The Commission's NPRM is one small step in implementing the 1996 Act's intent "to provide for a pro-competitive de-regulatory national policy framework..." We support all efforts in this regard. While we believe the Commission should eliminate all CAM requirements for price cap carriers that adopt a no sharing plan, if the Commission retains cost allocation requirements, we urge the Commission to adopt a specific notice period for CAM revision filings and the several small changes we propose herein that would result in increased efficiency in CAM and ARMIS reporting processes.

Respectfully submitted,

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